



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

DAVID Y. IGE
GOVERNOR

LUIS P. SALAVERIA
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
Luis P. Salaveria, Director
Department of Business, Economic Development and Tourism
before the
House Committee on Economic Development & Business
Tuesday, February 3, 2015
9:00 AM
State Capitol, Conference Room 312

In consideration of
HB771
RELATING TO ECONOMIC DEVELOPMENT

Chair Kawakami, Vice Chair Kong and members of the House Committee on Economic Development & Business.

The Department of Business, Economic Development and Tourism (DBEDT) supports the intent of HB771 that reenacts the Hawaii Capital Loan Revolving Fund (HCLP) within DBEDT provided that its passage does not replace or adversely impact priorities indicated in our Executive Budget.

Understanding the difficulty small businesses encounter obtaining a business loan through a commercial bank, the Hawaii Capital Loan Revolving Fund can play an important role by providing small businesses an alternate means of financing their business start-up or expansion.

However, it should be pointed out that the HCLP serves as a lender of last resort. According to records in our file, the rate of loans written off as a percentage of total loans made was 11.6%, which is considered high by banking standards. In addition, by statute, the maximum interest rate that would be charged on HCLP loans would be 1% below prime, which equates to 2.25%.

Thank you for the opportunity to offer these comments.



Chamber of Commerce HAWAII
The Voice of Business

**Testimony to the House Committee on Economic Development & Business
Tuesday, February 3, 2015 at 9:00 A.M.
Conference Room 312, State Capitol**

RE: HOUSE BILL 771 RELATING TO ECONOMIC DEVELOPMENT

Chair Kawakami, Vice Chair Kong, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **strongly supports** HB 771, which reenacts the Hawaii capital loan revolving fund and appropriates funds to the Hawaii capital loan revolving fund and funds one permanent full-time program manager position (1.0 FTE) within the department of business, economic development, and tourism.

The Chamber is the largest business organization in Hawaii, representing over 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

Lack of capital is one of the top issues that face small business owners. Many find it difficult to find financing to start or expand their small business. This is more apparent now following the "great recession". Cash flow is one of the major factors that banks look at in determining whether to give out a loan or not. During the recession, many small business' cash flow was cut drastically, and even though the economy and business has improved, many still struggle to access capital.

Thank you for the opportunity to testify.

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT AND BUSINESS
ON
HOUSE BILL NO. 771

February 3, 2015

RELATING TO ECONOMIC DEVELOPMENT

House Bill No. 771 reenacts the Hawaii capital loan revolving fund into which shall be deposited all moneys received as repayments of loans and interest payments under the Capital Loan program. The bill also appropriates funds to the Hawaii capital loan revolving fund and funds one permanent full-time program manager position within the Department of Business, Economic Development and Tourism (DBEDT).

The Department of Budget and Finance (B&F) defers to DBEDT regarding the technical issues and merits of the bill. However, as a matter of general policy, B&F does not support the creation of any special fund which does not meet the requirements of Section 37-52.3 of the HRS. Special or revolving funds should:

- 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program;
- 2) provide an appropriate means of financing for the program or activity; and
- 3) demonstrate the capacity to be financially self-sustaining.

In regards to House Bill No. 771, it is difficult to determine whether there is a clear nexus between the benefits sought and the source of funding, and whether the fund will be self-sustaining.

I encourage the Legislature to review the fiscal and operational plan for this program to ensure that it does conform to the requirements of Section 37-52.3, HRS.